

PUBLIC ENTITY RISK POOLS

WASHINGTON STATE
AUDITOR'S OFFICE

July 1996



State Auditor's Office

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PUBLIC ENTITY RISK POOLS REPORTING PACKAGE

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ANNUAL REPORT

(Name of Public Entity Risk Pool)

Submitted pursuant to RCW 43.09.230

to the

STATE AUDITOR'S OFFICE

FOR THE FISCAL YEAR ENDED _____ 19 _____

Certified correct this _____ day of _____, 19 _____

to the best of my knowledge and belief:

NAME _____

TITLE _____

PREPARED BY _____

TELEPHONE NUMBER _____

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PUBLIC ENTITY RISK POOLS

1. ESD 101 Unemployment Pool
2. ESD 101 Workers' Compensation Pool
3. ESD 105 Unemployment Pool
4. ESD 105 Workers' Compensation Pool
5. ESD 105 Central Washington Insurance Cooperative Fund
6. ESD 112 Southwest Washington Unemployment Compensation Pool
7. ESD 112 Southwest Washington Workers' Compensation Cooperative
8. ESD 112 Southwest Washington Risk Management Insurance Cooperative
9. ESD 113 Unemployment Compensation Pool
10. ESD 113 Workers' Compensation Trust Fund
11. ESD 113 Insurance Trust Fund
12. ESD 114 Unemployment Compensation Insurance Pool Cooperative
13. ESD 114 Region Workers' Compensation Trust Fund
14. ESD 121 Unemployment Pool Cooperative
15. ESD 121 Workers' Compensation Trust Fund
16. ESD 121 Puget Sound Schools Risk Management Pool
17. ESD 123 Unemployment Pool Cooperative
18. ESD 123 Southeastern Washington Workers' Compensation Cooperative
19. ESD 171 Unemployment Pool
20. ESD 171 North Central Washington Workers' Compensation Trust
21. ESD 189 Operating Fund of the Unemployment Pool Cooperative
22. ESD 189 Operating Fund of the Labor and Industries Workers' Compensation Trust
23. ESD 189 Operating Fund of the Workers' Compensation Cooperative Joint Board
24. Schools Insurance Association of Washington
25. Washington Cities Insurance Authority Workers' Compensation Group Retro Program
26. Washington Cities Insurance Authority
27. Eastern Washington School District Insurance Group
28. Cities Insurance Association of Washington
29. Cities Insurance Association of Washington Workers' Compensation Group Retro Program
30. Washington Governmental Entity Pool
31. Association of Washington Cities Risk Management Service Agency
32. Association of Washington Cities Employee Benefits Trust
33. Washington Counties Risk Pool
34. Washington Counties Insurance Fund
35. Water and Sewer Insurance Pool
36. Housing Authority Risk Retention Pool
37. Washington Public Utility District's Utilities System Joint Self-Insurance Fund
38. Washington State Transit Insurance Pool
39. Central Washington Public Utilities Insurance Program Trust

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RISK POOLS

FINANCIAL STATEMENTS

GENERAL INSTRUCTIONS

Financial statements should be presented in one of the following methods:

- Separate Reporting - Almost all public entity risk pools stand alone as a separate accounting and reporting entity. These pools are required to have full-accrual accounting systems and conform to generally accepted accounting principles applicable to proprietary funds of governmental units.
- Component Unit Reporting - Unemployment insurance pools and workers' compensation pools that are a component unit of an Educational Service District (ESD), or other governmental entities, must be presented in their primary government (e.g., ESD) financial statements in the component unit column(s). They also should acknowledge their relationship with that entity in the notes to the financial statements and in the headings of their own statements (e.g., "_____ Pool, a Component Unit of the _____ ESD").
- Pools that are included as part of a combined general government reporting entity that do not issue separate financial reports should present the required supplementary information described in Section 5 as statistical information in the combined entity's comprehensive annual financial report.

Blank formats of financial statements applicable to public entity risk pools have been provided in this document. The Statement of Cash Flows may be presented using either the direct method (E-1A) or the indirect method (E-1B). Include only those accounts used by your pool. Prior year information (optional) should be taken from the prior year's financial statements.

When presenting comparative financial statement information, show current year data in the left hand column and prior year data in the right hand column. If you did not prepare a particular statement type last year, you will not be able to prepare that statement on a comparative basis for this year. In that case, eliminate the prior year column of data and date the form for the current year only.

(Pool Name)
(COMPARATIVE)* BALANCE SHEET
_____, 19__ and 19__*

	19__	19__*
<u>ASSETS</u>		
Investments:		
United States Treasury Notes	\$_____	\$_____
Certificates of Deposit	_____	_____
Securities Purchased Under Agreements to Resell	_____	_____
Total Investments	\$_____	\$_____
Cash and Cash Equivalents	_____	_____
Funds on Deposit	_____	_____
Member Assessments Receivable	_____	_____
Insurance Recoverable	_____	_____
Accrued Interest	_____	_____
Deferred Compensation	_____	_____
Prepaid Expenses	_____	_____
Property and Equipment (Net of Accumulated Depreciation)	_____	_____
TOTAL ASSETS	\$=====	\$=====
<u>LIABILITIES AND MEMBERS' FUND BALANCE</u>		
Liabilities:		
Claim Reserves		\$_____
\$_____		
Reserve for Unallocated Loss Adjustment Expenses	_____	_____
Accounts Payable	_____	_____
Unearned Member Assessments	_____	_____
Notes Payable	_____	_____
Deferred Compensation	_____	_____
Compensated Absences	_____	_____
Other	_____	_____
Total Liabilities	\$_____	\$_____
Members' Fund Balance:		
Designated	\$_____	\$_____
Undesignated	_____	_____
Total Members' Fund Balance	\$_____	\$_____
TOTAL LIABILITIES AND MEMBERS'		
FUND BALANCE	\$=====	\$=====

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

* Prior year presentation is optional.

(Pool Name)
(COMPARATIVE)* STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN MEMBERS' FUND BALANCE
For The Fiscal Year(s) Ended _____, 19____ and 19____*

	19____	19____*
REVENUES:		
Member Assessments	\$_____	\$_____
Late Payment Assessments	_____	_____
Supplemental Assessments	_____	_____
Adjustment of Prior Years' Supplemental Assessments	_____	_____
Application Fees	_____	_____
Interest Income	_____	_____
Lease Income	_____	_____
Miscellaneous	_____	_____
Total Revenues	\$_____	\$_____
EXPENSES:		
Claims Paid on Current Losses	\$_____	\$_____
Established Claim Reserves	_____	_____
Adjustment to Prior Years' Claim Reserves	_____	_____
Excess Insurance Premiums	_____	_____
Insurance Services:		
Claims Adjustment	_____	_____
Brokerage Fee	_____	_____
Other Insurance Services	_____	_____
Unallocated Loss Adjustment Expenses	_____	_____
General and Administrative Expenses	_____	_____
Total Expenses	\$_____	\$_____
Revenues Over Expenses Before Cumulative Effect of Accounting Change	\$_____	\$_____
Cumulative Effect of Accounting Change	_____	_____
Total Revenues Over Expenses	\$_____	\$_____
Members' Fund Balance, Beginning of Year	\$_____	\$_____
Members' Fund Balance, End of Year	\$_____	\$_____

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

* Prior year presentation is optional.

(Pool Name)
(COMPARATIVE)* STATEMENT OF CASH FLOWS
For The Fiscal Year(s) Ended _____, 19____ and 19____*

	19____	19____*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Members	\$ _____	\$ _____
Cash Payments to Suppliers for Goods and Services	_____	_____
Cash Payments to Employees for Services	_____	_____
Other Operating Revenues	_____	_____
Net Cash Provided (Used) for Operating Activities	\$ _____	\$ _____
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from Issuance of Notes	\$ _____	\$ _____
Principal Payments on Notes	_____	_____
Net Cash Provided (Used) for Noncapital Financing Activities	\$ _____	\$ _____
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of Office Facility	\$ _____	\$ _____
Proceeds from Sale of Equipment	_____	_____
Net Cash Provided (Used) for Capital Financing Activities	\$ _____	\$ _____
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sales of Investments	\$ _____	\$ _____
Purchases of Investments	_____	_____
Interest Received	_____	_____
Net Cash Provided (Used) for Investing Activities	_____	_____
Increase (Decrease) in Cash and Cash Equivalents	\$ _____	\$ _____
Cash and Cash Equivalents, Beginning of Year	_____	_____
Cash and Cash Equivalents, End of Year	\$ <u> </u>	\$ <u> </u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

* Prior year presentation is optional.

(Pool Name)
RECONCILIATION SCHEDULES: NET OPERATING INCOME TO NET CASH
PROVIDED (USED) FOR OPERATING ACTIVITIES
For The Fiscal Year(s) Ended _____, 19____ and 19____*

	19____	19____*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Revenues Over Expenses Before Cumulative Effect of Accounting Change	\$ _____	\$ _____
Items Not Affecting Cash:		
Depreciation Expenses	_____	_____
(Increase) Decrease in Accrued Interest	_____	_____
Provision for Unallocated Loss Adjustment Expenses	_____	_____
Increase (Decrease) in Unearned Member Assessments	_____	_____
(Increase) Decrease in Member Assessments Receivable	_____	_____
(Increase) Decrease in Other Prepaid Expenses	_____	_____
(Increase) Decrease in Insurance Recoverable	_____	_____
Increase (Decrease) in Claim Reserve	_____	_____
Increase (Decrease) in Payables	_____	_____
Increase (Decrease) in Other Liabilities	_____	_____
Cumulative Effect of Accounting Change	_____	_____
Net Cash Provided (Used) for Operating Activities	\$ _____	\$ _____

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

NOTE: If the direct method is used, this reconciliation should be presented either as a separate schedule (on the same page or on a page following the statement of cash flows) or in the notes to the financial statements. If the indirect method is chosen, the reconciliation should be presented within the statement of cash flows.

* Prior year presentation is optional.

(Pool Name)
(COMPARATIVE)* STATEMENT OF CASH FLOWS
For The Fiscal Year(s) Ended _____, 19____ and 19____*

	19____	19____*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Revenues Over Expenses Before Cumulative Effect of Accounting Change	\$_____	\$_____
Items Not Affecting Cash:		
Depreciation Expenses	_____	_____
(Increase) Decrease in Accrued Interest	_____	_____
Provision for Unallocated Loss Adjustment Expenses	_____	_____
Increase (Decrease) in Unearned Member Assessments	_____	_____
(Increase) Decrease in Member Assessments Receivable	_____	_____
(Increase) Decrease in Other Prepaid Expenses	_____	_____
(Increase) Decrease in Insurance Recoverable	_____	_____
Increase (Decrease) in Claim Reserve	_____	_____
Increase (Decrease) in Payables	_____	_____
Increase (Decrease) in Other Liabilities	_____	_____
Cumulative Effect of Accounting Change	_____	_____
Net Cash Provided (Used) for Operating Activities	\$_____	\$_____
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from Issuance of Notes	\$_____	\$_____
Principal Payments on Notes	_____	_____
Net Cash Provided (Used) for Noncapital Financing Activities	\$_____	\$_____
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of Office Facility	\$_____	\$_____
Proceeds from Sale of Equipment	_____	_____
Net Cash Provided (Used) for Capital Financing Activities	\$_____	\$_____

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

* Prior year presentation is optional.

(Pool Name)
(COMPARATIVE)* STATEMENT OF CASH FLOWS
For The Fiscal Year(s) Ended _____, 19____ and 19____*

	19____	19____*
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sales of Investments	\$ _____	\$ _____
Purchases of Investments	_____	_____
Interest Received	_____	_____
Net Cash Provided (Used) for Investing Activities	\$ _____	\$ _____
Increase (Decrease) in Cash and Cash Equivalents	\$ _____	\$ _____
Cash and Cash Equivalents, Beginning of Year	_____	_____
Cash and Cash Equivalents, End of Year	\$ _____	\$ _____

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

* Prior year presentation is optional.

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RISK POOLS

INDIVIDUAL FUND STATEMENTS

GENERAL INSTRUCTIONS

Examples of individual fund statements applicable to public entity risk pools have been attached for reference purposes only. These statements are to be prepared by all public entity risk pools that account for more than one pool type in their financial statements.

Each statement should include only accounts used by that particular type of pool.

Prior year information (optional) should be taken from the prior year's financial statements. When presenting comparative financial statement information, show current year data in the left hand column and prior year data in the right hand column.

(Pool Name)

(Fund)

(COMPARATIVE)* STATEMENT OF REVENUES AND EXPENSES
For The Fiscal Year(s) Ended _____, 19__ and 19__*

	19__	19__*
REVENUES:		
Modified Standard Premium	\$_____	\$_____
Interest Income	_____	_____
Office Lease	_____	_____
P/L Interfund Transfer	_____	_____
Total Revenues	\$_____	\$_____
EXPENSES:		
Administrative Expenses	\$_____	\$_____
Excess Insurance Premium	_____	_____
Bond Premium	_____	_____
Claims Administration	_____	_____
Loss Prevention Service	_____	_____
Brokerage Fee	_____	_____
Premium Tax and Second Injury Fund	_____	_____
Claims Paid	_____	_____
Claims Incurred But Not Paid	_____	_____
Claims Incurred But Not Reported	_____	_____
Total Expenses	\$_____	\$_____
EXCESS OF REVENUES OVER EXPENSES	\$_____	\$_____

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

* Prior year presentation is optional.

(Pool Name)

(Fund)

(COMPARATIVE)* STATEMENT OF REVENUES AND EXPENSES
For The Fiscal Year(s) Ended _____, 19__ and 19__*

	19__	19__*
REVENUES:		
Member Annual Assessments	\$_____	\$_____
Supplemental Assessments	_____	_____
Late Payment Assessments	_____	_____
Application Fees	_____	_____
Interest Income	_____	_____
Office Lease	_____	_____
Miscellaneous	_____	_____
Total Revenues	\$_____	\$_____
EXPENSES:		
Administrative Expenses	\$_____	\$_____
Excess Insurance Premium	_____	_____
Property Appraisal	_____	_____
Claims Administration	_____	_____
Loss Prevention Service	_____	_____
Brokerage Fee	_____	_____
Claims Paid	_____	_____
Claims Incurred But Not Paid	_____	_____
Claims Incurred But Not Reported	_____	_____
Prior Years Reserve Adjustment	_____	_____
WC Interfund Transfer	_____	_____
Total Expenses	\$_____	\$_____
EXCESS OF REVENUES OVER EXPENSES	\$_____	\$_____

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

* Prior year presentation is optional.

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RISK POOLS

NOTES TO FINANCIAL STATEMENTS

GENERAL INSTRUCTIONS

The sample Notes To Financial Statements which follow we re designed to provide the disclosures required for public entity risk pools. They are intended to furnish you with ways of phrasing the disclosures you will need to make. Be sure to revise these sample documents to fit the unique circumstances of your pool, to delete disclosures that do not apply to your operations, and to add others that we did not include but which are needed to help a reader understand your financial statements.

Public entity risk pools must make at least the following disclosures:

- (1) A description of the risk transfer or pooling agreement, including the rights and responsibilities of the pool and the pool participants. Also, include a brief description of the number and types of entities participating in the pool.
- (2) The basis for estimating the liabilities for unpaid claims and claim adjustment expenses. State that the liabilities are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors.
- (3) The nature of acquisition costs capitalized, the method of amortizing those costs, and the amount of those costs amortized for the period.
- (4) The face amount and carrying amount of liabilities for unpaid claims and claim adjustment expenses that are presented at present value in the financial statements and the range of annual interest rates used to discount those liabilities.
- (5) Whether the pool considers anticipated investment income in determining if a premium deficiency exists.
- (6) The nature and significance of excess insurance or reinsurance transactions to the pool's operations, including reinsurance premiums ceded, and estimated amounts that are recoverable from reinsurers and that reduce the liabilities as of the balance sheet date for unpaid claims and claim adjustment expenses.
- (7) A reconciliation of total claims liabilities, including an analysis of changes in aggregate liabilities for claims and claim adjustment expenses for the current fiscal year and the prior fiscal year, in this tabular format:
 - (a) Amount of liabilities for unpaid claims and claim adjustment expenses at the beginning of each fiscal year.
 - (b) Incurred claims and claim adjustment expenses:
 - Provision for insured events of the current fiscal year.
 - Increase (decrease) in the provision for insured events of prior fiscal years.
 - (c) Payments:
 - Claims and claim adjustment expenses attributable to insured events of the current fiscal year.
 - Claims and claim adjustment expenses attributable to insured events of prior fiscal years.
 - (d) Other. (Provide an explanation of each material item.)

- (e) Amount of liabilities for unpaid claims and claim adjustment expenses at the end of each fiscal year.
- (8) The aggregate outstanding amount of liabilities for which annuity contracts have been purchased from third parties in the claimants' names and the related liabilities have been removed from the balance sheet . (Annuity contracts used to settle claims for which the claimant has signed an agreement releasing the entity from further obligation and for which the likelihood that the pool will be required to make future payments on those claims is remote should not be included in this disclosure.)

(Pool Name)
NOTES TO FINANCIAL STATEMENTS
For The Fiscal Year(s) Ended _____, 19____ and _____, 19____

The notes are an integral part of the accompanying financial statements.

NOTE 1 - GENERAL

(Several alternatives with sample text are presented below. Include a list of all participating members of your risk pool on a separate schedule (Schedule T-2).)

(Alternative No. 1, Description of the Public Entity Risk Pool. 2/

See accompanying Notes To Financial Statements on page 8-1 which all public entity risk pools must prepare and send to each participating member to be included in their notes to the annual financial reports.)

(Or, Alternative No. 2, Description of the Fund.

The Public Insurance Fund (Fund) was organized in October 19X7 to provide a program of property and casualty and employee health and accident coverage for its member organizations. In accordance with _____ (statute), all political subdivisions in the state of _____ are eligible to participate. The program's general objectives are to formulate, develop, and administer, on behalf of the member political subdivisions, a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Political subdivisions joining the Fund must remain members for a minimum of 3 years; a member may withdraw from the Fund after that time by giving 6 months notice. Subdivisions applying for membership in the Fund may do so on approval of two-thirds vote of the board of the Fund. Fund underwriting and rate-setting policies have been established after consultation with actuaries. Fund members are not subject to a supplemental assessment in the event of deficiencies. Annual premium increases are limited to 20 percent of the prior year's premium. If the assets of the Fund were to be exhausted, members would not be responsible for the Fund's liabilities. Fund members currently include 9 cities with populations ranging from 60,000 to 140,000 and 4 counties with populations ranging from 90,000 to 120,000.) 2/

(Or, Alternative No. 3, Description of the Organization.

The Convenience Fund (Fund) was formed in 19X2 under a joint powers agreement in accordance with _____ (statute) of the state of _____. The agreement is to provide a cooperative program of group funding and risk management of property and casualty, workers' compensation, and employee health and medical claims for the employees of the Cities of "X," "Y," and "Z." The Fund is not intended to function as an insurance company for the cities. Rather, it is a means of combining the administration of claims and of obtaining lower insurance rates. Although premiums billed to the cities are determined on an actuarial basis, ultimate liability for claims remains with the respective cities and, accordingly, the insurance risks are not transferred to the Fund.) 2/

1/ Insert the official name of the public entity risk pool.

2/ If the risk pool is a component unit of another entity, the pool should acknowledge that relationship in this note. The risk pool should identify the primary government and describe the relationship with it.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the (pool name) ^{1/} conform to generally accepted accounting principles as applicable to proprietary funds of governmental units (in most respects). The following is a summary of the more significant policies (including identification of those policies which result in material departures from generally accepted accounting principles):

a. Basis Of Accounting And Presentation

The accounting records of the pool are maintained in accordance with methods prescribed by the State Auditor's Office under the authority of Chapter 43.09 RCW. The pool also follows the accounting standards established by the Governmental Accounting Standards Board Statement 10, *Accounting And Financial Reporting For Risk Financing And Related Insurance Issues*.

The pool uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. ^{2/} Fixed asset purchases are capitalized and long-term liabilities are accounted for in the (appropriate) fund(s).

(Unbilled receivables are recorded at year end.) ^{3/}

b. Fixed Assets And Depreciation

See Note _____. ^{4/}

^{1/} Insert the official name of the public entity risk pool.

^{2/} If modified-accrual recognition principles are used for any reason, be sure to disclose: (a) their identity; and, (b) that such approaches are not in accordance with generally accepted accounting principles (GAAP).

^{3/} If material receivables are not accrued at year-end, this should be disclosed along with the clause, "which is a departure from generally accepted accounting principles."

^{4/} Insert note number for disclosure of fixed assets.

c. Restricted Funds

In accordance with bond resolutions (and certain related agreements), separate restricted funds are required to be established. The assets held in these funds are restricted for specific uses, including (construction,) debt service and other special reserve requirements.

d. Receivables^{1/}

e. Inventories

Inventories are valued at _____^{2/} which approximates the market value.

f. Investments

See Note _____.^{3/}

g. Amortization Of Contributed Capital

In accordance with the prescribed system(s) of accounts, the pool amortizes contributed capital by amounts that equal the annual depreciation on assets acquired with that capital.

^{1/} Disclose the policy for estimating and writing off uncollectible accounts.

^{2/} Insert "FIFO-first in, first out," "average cost," etc. If "LIFO-last in, first out," is used, omit the phrase about market value.

^{3/} Insert note number for disclosure of investments (i.e., Note 3 in this sample).

h. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation (and sick) leave. The pool records unpaid leave for compensated absences as an expense and liability when incurred.

Vacation pay, which may be accumulated up to _____ days and is payable upon resignation, retirement or death. Sick leave may accumulate (indefinitely/up to _____ hours).^{1/}

i. Direct Charge (Or Credit) To Retained Earnings

In accordance with its prescribed system of accounts, the pool has (charged or credited) \$_____ directly to retained earnings. This is a departure from generally accepted accounting principles, which require such (charges or credits) be included in net income of the period.^{2/}

j. Unamortized Debt Expense

Costs relating to the sale of bonds are deferred and amortized over the lives of the various bond issues.

k. Construction Financing^{3/}

l. Purchase Commitments^{4/}

^{1/} If the pool has a policy that allows a payment for accrued sick leave upon resignation/termination, include a text to reflect this policy. For example:

(Upon resignation, any outstanding sick leave is lost.)
(Sick leave does not vest until death or retirement thus no current liability is recognized.)
(If an employee terminates with at least ten years of service, he or she will be paid for sick leave balances up to thirty days, at one-half his or her final pay rate.)

^{2/} Be sure to add a sentence to this note to explain the circumstances.

^{3/} This note should disclose any cost-sharing agreements or other long-term financing or credit agreements that the pool has entered into.

^{4/} This note should disclose any long-term purchase commitments, take-or-pay agreements, etc.

m. Unpaid Claims Liabilities

The pool establishes claims liabilities based on estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

n. Deferred Policy Acquisition Costs

Acquisition costs, which consist primarily of salaries, inspection and medical exam fees, and certain underwriting expenses, vary with, and are primarily related to, the issuance of new insurance policies. These costs are deferred and amortized on a straight-line basis over the life of the insurance contract. Deferred acquisition costs are reviewed periodically to determine if they are recoverable from future income, including investment income. If the deferred costs are not recoverable, they are charged to expense in the period of the review. Amortization of deferred costs in 19__ and 19__ were \$_____ and \$_____, respectively.

o. Reinsurance

The pool uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the pool as direct insurer of the risks reinsured. The pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. (The amount deducted from claims liabilities as of _____, 19__ and _____, 19__ for reinsurance was \$_____ and \$_____, respectively.)

p. Member Assessments And Unearned Member Assessments

Member assessments are collected in advance and recognized as revenue in the period for which insurance protection is provided. The assessment is calculated based on _____. ^{1/}

q. Claims Reserves

Claims are charged to income as incurred. Claim reserves represent the accumulation of estimates for reported, unpaid claims, plus a provision for claims incurred, but not reported. These estimates are continually reviewed and updated, and any resulting adjustments are reflected in current earnings.

^{1/} Describe the basis of the calculation for member assessments.

r. Reserve For Unallocated Loss Adjustment Expenses

The reserve for unallocated loss adjustment expenses represents the estimated cost to be incurred with respect to the settlement of claims in process and claims incurred but not reported. Management estimates this liability at the end of each year based upon cost estimate d provided by the third party administrator. The change in the liability each year is reflected in current earnings.

s. Exemption From Federal And State Taxes

Pursuant to revenue ruling number 90-74, income of Municipal Risk Pools is excluded from gross income under IRC Section 115(1).

Chapter 48.62 RCW exempts the pool from insurance premium taxes, and business and occupation taxes imposed pursuant to Chapter 82.04 RCW.

t. Cash And Cash Equivalents

For purposes of the Statement of Cash Flows, the (pool name) considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE 3 - DEPOSITS AND INVESTMENTS

As required by state law, all deposits and investments of the pool's funds (except as noted below) are obligations of the U.S. Government, (the State Treasurer's Investment Pool,) (bankers' acceptances,) deposits with Washington State banks and savings and loan institutions, or other investments allowed by Chapter 39.59 RCW. (Investments of (pension/nonexpendable) trust funds are not subject to the preceding limitations.)

The pool's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

The pool's investments are categorized to give an indication of the risk assumed at year-end. The following summary shows the pool's investments at year-end categorized by risk. Category 1 includes investments that are either insured, registered or held by the pool or its agent in the pool's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the pool's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent but not in the pool's name.

	Category			Carrying Amount	Market Value
	<u>1</u>	<u>2</u>	<u>3</u>		
Repurchase Agreements	\$_____	\$_____	\$_____	\$_____	\$_____
U.S. Government Securities	_____	_____	_____	_____	_____
Bankers' Acceptances	_____	_____	_____	_____	_____
Total	\$ <u>_____</u>	\$ <u>_____</u>	\$ <u>_____</u>	\$ <u>_____</u>	\$ <u>_____</u>
Investment in State Treasurer's Investment Pool				\$_____	\$_____
Investment in Deferred Compensation				_____	_____
Other Property				_____	_____
Total Investments				\$ <u>_____</u>	\$ <u>_____</u>

All temporary investments are stated at cost plus accrued interest which approximates market. Other property and investments are shown on the balance sheet at cost, net of amortized premium or discount.

Management intends to hold the time deposits and securities until maturity. Other property consists of real estate held for the production of (rental) income and/or for future use.

(In accordance with generally accepted accounting principles applicable to regulated industries, reductions in market value are not reflected on the financial statements. Similarly, gains or losses on "bond swaps" are deferred and amortized over the life of the replacement investment. Other gains or losses on investments sold or exchanged are recognized at the time the transactions are completed.)

DERIVATIVES AND SIMILAR TRANSACTIONS ^{1/}

NOTE 4 - LONG-TERM DEBT ^{2/}

^{1/} Derivatives are generally defined as contracts whose value depends on , or *derives* from, the value of an underlying asset, reference date, or index. For more information see GASB Technical Bulletin No. 94-1, *Disclosures about Derivatives and Similar Debt and Investment Transactions*.

This disclosure is necessary if the risk pool has used, held, or sold any derivatives or similar instruments during the period covered by the financial statements, regardless of whether the assets or liabilities resulting from those transactions are reported on the balance sheet.

The note should include:

- nature of transaction,
- reason for entering into transaction,
- discussion of the risk pool's exposure to credit risk, market risk, and legal risk (the discussion of risk should be made only to the extent that these risks are above and beyond these inherent risks that are apparent in the financial statements or are otherwise disclosed in the notes to the financial statements).

^{2/} The note should disclose any long-term debt issued by the pool. Describe the debt, provide maturity dates , schedule of future payments by year for the next five years and add a line which shows total payments for all years thereafter. You may disclose the pool's compliance with restrictions, such as the ratio of operating revenues to debt service requirements.

NOTE 5 - SELF-INSURED RETENTION

The pool retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess insurance contracts.

Fiscal Year 19X7

For fiscal year 19X7, the pool's per-occurrence retention limit is \$_____ for liability claims and \$_____ for nonliability claims. For individual claims of less than \$_____, the pool's annual aggregate retention for all lines coverage is \$_____. For liability claims greater than \$_____ but less than \$_____, the pool's annual aggregate retention is \$_____.

Through a combination of fund balance designated at _____, 19X7 ^{1/}, and member assessments earned at _____, 19X8 ^{2/}, the pool committed assets of \$_____ specifically for the purpose of funding these retentions for fiscal year 19X7.

Fiscal Year 19X8

For fiscal year 19X8, the pool's per-occurrence retention limit is \$_____ for liability claims and \$_____ for crime claims, and \$_____ for other nonliability claims. For individual workers' compensation claims of less than \$_____, the pool's annual aggregate retention is \$_____, and unlimited for individual crime claims of less than \$_____, property claims of less than \$_____, and liability claims of less than \$_____.

Through a combination of fund balance designated at _____, 19X8 ^{1/} and member assessments earned at _____, 19X9 ^{2/}, the pool committed assets of \$_____ specifically for the purpose of funding these retentions for fiscal year 19X8.

Fiscal Year 19X9

Through a combination of fund balance designated at _____, 19X8 ^{1/} and member assessments to be earned at _____, 19X9 ^{2/}, the pool has committed assets of \$_____ specifically for the purpose of funding its self-insured retentions in fiscal year 19X9.

^{1/} Insert the fiscal year ending date.

^{2/} Insert the fiscal year beginning date.

NOTE 6 - EXCESS INSURANCE CONTRACTS

The pool maintains excess insurance contracts with several insurance carriers which provide various limits of coverage over the pool's self-insured retention limits. The limits provided by these excess insurance contracts are as follows:

<u>Excess Insurance Contracts</u>	<u>19X8</u>	<u>19X7</u>
General Liability	\$_____	\$_____
Automobile Liability	_____	_____
Public Officials Liability	_____	_____
Police Professional Liability	_____	_____
Gas Liability	_____	_____
Workers' Compensation	_____	_____
Property	100% Replacement Cost	100% Replacement Cost
	Per Location	Per Location
Crime	_____	_____
All Lines Aggregate	_____	_____
Workers' Compensation Aggregate	_____	_____

Excess Liability Aggregate	_____	_____

Per-occurrence coverage limits provided by the pool, including the excess insurance limits combined with the pool's self-insured retention limits are as follows:

<u>Excess Insurance Contracts</u>	<u>19X8</u>	<u>19X7</u>
General Liability	\$_____	\$_____
Automobile Liability	_____	_____
Public Officials Liability	_____	_____
Police Professional Liability	_____	_____
Gas Liability	_____	_____
Workers' Compensation	_____	_____
Property		100% Replacement Cost
100% Replacement Cost		
	Per Location	Per Location
Crime	_____	_____

NOTE 7 - MEMBERS' SUPPLEMENTAL ASSESSMENTS AND CREDITS

The Interlocal Governmental Agreement provides for supplemental assessments to members based on actual claim experience. During fiscal year 19X 8, the pool did not make a supplemental assessment. In 19X7, the pool recorded supplemental assessments of \$_____, pursuant to this provision. In addition, during 19X7, prior year supplemental assessments were reduced by \$_____.

The Interlocal Governmental Agreement provides that surplus members' fund balance be used to credit future annual assessments. For the years ended _____, 19X8 and 19X7, member assessments are presented net of such credits of \$_____ and \$_____, respectively. The board of directors has designated \$_____ of members' fund balance for this purpose for the fiscal year ending _____, 19X9.

NOTE 8 - PROPERTY AND EQUIPMENT

Capital assets (and other fixed assets) are recorded at _____. ^{1/} Donations by developers (and customers) are recorded at the contract price or donor cost or appraised value.

(Although the pool amortizes contributed capital, it has elected not to record the related depreciation expense, which is a departure from generally accepted accounting principles.)

(The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation.) (However, in the case of the sale of a significant operating unit or system, the original cost is removed from the pool capital assets accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.)

(An allowance for funds used during construction is capitalized as part of the cost of pool capital assets. The procedure is intended to remove the cost of financing construction activity from the income statement and to treat such cost in the same manner as construction labor and material costs.)

Depreciation is computed using the _____ ^{2/} method with useful lives of _____ ^{3/} to _____ ^{3/} years. (Initial depreciation on capital assets is recorded in the year subsequent to purchase.)

(Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Costs relating to projects ultimately constructed are transferred to the appropriate capital asset account; charges that relate to abandoned projects are expensed.)

Property and equipment consisted of the following at _____, 19____ and 19____:

	<u>19</u>	<u>19</u>
Land	\$ _____	\$ _____
Buildings	_____	_____
Capital Leases	_____	_____
Equipment	_____	_____
Construction in Progress	_____	_____
_____	_____	_____
Less Accumulated Depreciation	_____	_____
Net Property and Equipment	\$ <u>_____</u>	\$ <u>_____</u>

^{1/} Indicate valuation method used, such as "historical cost", "estimated cost," "fair market value," etc.

^{2/} Insert "straight-line" or the particular accelerated method used.

^{3/} Insert minimum and maximum useful lives.

NOTE 9 - NOTES PAYABLE

Notes payable at _____, 19__ and 19__ consisted of the following:

	<u>19</u>	<u>19</u>
Mortgage Note (collateralized by office facility), ____%, due in <u>(year)</u> , payable in monthly installments of \$____, including interest, through <u>(month & year)</u> , at which time the interest will be negotiated	\$_____	\$_____
Other, Not Collateralized	_____	_____
Total	\$ <u> </u>	\$ <u> </u>

Aggregate annual principal payments, at interest rates in effect at _____, 19__, are as follows:

Years Ended:	_____ 19__ ^{1/}	\$_____
	_____ 19__	_____
	_____ 19__	_____
	_____ 19__	_____
	_____ 19__	_____
	_____ 19__ - 19__	_____
	Total	\$ <u> </u>

^{1/} Schedule future payments by year for the next five years. Then, add a line which shows total payments for all years thereafter.

NOTE 10 - UNPAID CLAIMS LIABILITIES

As discussed in Note 2, the pool establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the pool during the current and previous year:

	<u>19</u>	<u>19</u>
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	\$_____	\$_____
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Year	_____	_____
Increases in Provision for Insured Events of Prior Years	_____	_____
Total Incurred Claims and Claim Adjustment Expenses	<u>\$_____</u>	<u>\$_____</u>
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	\$_____	\$_____
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	_____	_____
Total Payments	<u>\$_____</u>	<u>\$_____</u>
Total Unpaid Claims and Claim Adjustment Expenses at End of the Year	<u>\$_____</u>	<u>\$_____</u>

At _____, 19____, \$_____ of unpaid claims and claim adjustment expenses are presented at their net present value of \$_____. These claims are discounted at annual rates ranging from _____ to _____ percent. Unpaid claims expenses of \$_____ are not reported in the _____, 19____ year-ended balances because the pool has purchased annuities in claimants' names to settle those claims.

NOTE 11 - CONSTRUCTION IN PROGRESS

Construction in progress represents expenses to date on projects whose authorizations total \$_____. ^{1/} Of the committed balance of \$_____, the pool will be required to raise \$_____ in future financing. ^{2/}

NOTE 12 - SELF-INSURANCE ^{3/}

Most of the (The) participating members of the pool have elected to become self-insured for (unemployment insurance and workers' compensation). At _____, 19____, reserves were as follows:

Unemployment	\$ _____
Workers' Compensation	_____

(The pool is required by the state to set aside for protection to the Workers' Compensation Fund \$_____ in cash reserves plus an additional \$_____ in escrow.)

^{1/} Total construction project budgets should be included here.

^{2/} If there are numerous construction projects, this information should be presented in a schedule like the example below:

Construction in progress is composed of the following:

<u>Project Description</u>	<u>Project Authorization</u>	<u>Expended to 12/31/</u>	<u>Committed</u>	<u>Required Future Financing</u>
Project No. 1	\$ 90,000	\$ 89,000	\$ 1,000	None
Project No. 2	80,000	-	80,000	\$ 80,000
Project No. 3	<u>50,000</u>	<u>46,000</u>	<u>4,000</u>	<u>None</u>
Total Projects	<u>\$220,000</u>	<u>\$135,000</u>	<u>\$ 85,000</u>	<u>\$ 80,000</u>

^{3/} Use this note only if the entity has elected some form(s) of self-insurance.

NOTE 13 - LEASE COMMITMENTS

a. Operating Lease(s) ^{1/}

The (pool name) is committed under various leases for _____. ^{2/} These leases are considered operating leases for accounting purposes. Lease expenses for the year ended _____, 19__ - amounted to \$_____. Future minimum rental commitments for these leases are as follows:

<u>Year</u> ^{3/}	
19__	\$_____
19__	_____
19__	_____
19__	_____
19__	_____
19__-19__	_____
Total	\$_____

b. Capital Lease(s)

The (pool name) has entered into (a) lease agreement(s) for financing the acquisition of _____. ^{4/} These lease agreements qualify as capital leases for accounting purposes and are recorded as assets and as long-term liabilities at the present value of the future minimum lease payments as of the date of their inception. The district records lease payments as reductions of the long-term liability and as interest expense over the life of the lease. The future minimum lease payments under these lease agreements are as follows:

<u>Fiscal Year</u> ^{3/}	
19__	\$_____
19__	_____
19__	_____
19__	_____
19__	_____
19__-19__	_____
Less amount representing interest	_____
Present Value of Future	
Minimum Lease Payments	\$_____

Depreciation policy for capitalized assets is described in (Fixed Assets Note No.).

^{1/} Prepare this part of the note for leases which are not capitalized.

^{2/} List the types of operating leases the pool has.

^{3/} List the payments by year for the next five years, then add a line that shows total payments for all years thereafter.

^{4/} List the types of leases.

NOTE 14 - PENSION PLANS

Substantially all of the (pool name) full-time and qualifying part-time employees participate in the Public Employees' Retirement System (PERS). This is a statewide local government retirement system administered by the Department of Retirement Systems, under a cost-sharing multiple employer public employee retirement plan.

a. Funding Status And Progress

	Summary of System's <u>Actuarial Data</u> (In Millions Of Dollars) As Of December 31, 1994
Total Pension Benefit Obligation	\$11,549
Less Net Assets Available For Benefits As Of Actuarial Date (At Market)	<u>9,800</u>
Unfunded (Surplus) Actuarial Present Value Of Accumulated Plan Benefits	<u>\$ 1,749</u>

The amount shown as total pension benefit obligation is the actuarial present value of credited projected benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. Use of the standardized measure enables readers of Washington's financial statements to: (a) assess on an ongoing basis the funding status of the system; (b) assess progress made in accumulating sufficient assets to pay benefits when due; and (c) make comparisons among other states or other retirement systems. The standardized disclosure method is independent of the actuarial funding method used to determine contributions to the retirement system.

Historical trend information showing the system's progress in accumulating sufficient assets to pay benefits when due is presented in the state of Washington's June 30, 1995 Comprehensive Annual Financial Report. Please refer to said report for detailed trend information.

b. Description Of Plan

The state legislature established PERS in 1947 under Chapter 41.40 RCW. PERS is a cost-sharing multiple-employer system. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges); employees of legislative committees; college and university employees not in national higher education retirement programs; judges of district and municipal courts; noncertificated employees of school districts; and employees of local government. Approximately 47 percent of PERS members are state employees.

PERS contains two plans. Participants who joined the system by September 30, 1977, are Plan 1 members. Those joining thereafter are enrolled in Plan 2. Retirement benefits are financed from employee and employer contributions and investment earnings. Retirement benefits in both Plan 1 and Plan 2 are vested after completion of five years of eligible service.

Plan 1 members are eligible for retirement after 30 years of service or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual pension is two percent of the final average salary per year of service, capped at 60 percent.

Plan 2 members may retire at the age of 65 with five years of service, or at 55 with 20 years of service, with an allowance of two percent per year of service of the final average salary. Plan 2 retirements prior to 65 are actuarially reduced. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at three percent annually.

During the 1995 Washington State Legislative Session, the Washington State Legislature did approve a change in retirement law that will not become effective until after the close of fiscal year 1995. The existing Cost of Living Allowance (COLA) benefits based on the loss of purchasing power in PERS 1 and TRS 1 were repealed and replaced with a COLA based on years of service. The COLA will increase employee contribution rates .16 percent and .09 percent in PERS and TRS, respectively. The material changes made during the 1994 Legislative Session that became effective during the 1995 fiscal year were disclosed in last year's annual report.

None of the other bills that passed affected contribution rates.

The pool's covered payroll for year ended December 31, 1995 was \$_____. ^{1/} The pool's total current-year payroll for all employees was \$_____. ^{1/}

Each biennium the legislature establishes Plan 1 employer contribution rates and Plan 2 employer and employee contribution rates. Employee contribution rates for Plan 1 are established by legislative statute and do not vary from year to year. Employer rates for Plan 1 are not necessarily adequate to fully fund the system. The employer and employee contribution rates for Plan 2 are developed by the Office of State Actuary to fully fund the system. All employers are required to contribute at the level established by the legislature. The methods used to determine the contribution requirements were established under state statute.

^{1/} Information indicated must be furnished by the public entity risk pool.

c. Contributions Required And Made

The pool's contribution rates expressed as a percentage of covered payroll as of December 31, 1995 ^{1/} were:

	<u>PERS Plan 1</u>		<u>PERS Plan 2</u>	
	<u>Required</u>	<u>Actual</u>	<u>Required</u>	<u>Actual</u>
Employer	7.48%	7.42%	7.48%	7.42%
Employee	<u>6.00%</u>	<u>6.00%</u>	<u>5.06%</u>	<u>5.08%</u>
Total	<u>13.48%</u>	<u>13.42%</u>	<u>12.54%</u>	<u>12.50%</u>

^{1/} The contribution rates expressed as a percentage of covered payroll for the period January 1, 1995 through December 31, 1995 were:

	<u>PERS Plan 1</u>		<u>PERS Plan 2</u>	
	<u>Required</u>	<u>Actual</u>	<u>Required</u>	<u>Actual</u>
Employer	7.48%	7.42%	7.48%	7.42%
Employee	<u>6.00%</u>	<u>6.00%</u>	<u>5.06%</u>	<u>5.08%</u>
Total	<u>13.48%</u>	<u>13.42%</u>	<u>12.54%</u>	<u>12.50%</u>

The actuarially determined contribution requirement and actual contribution for the year ended December 31, 1995 were:

	<u>PERS Plan 1</u>		<u>PERS Plan 2</u>	
	<u>Required</u>	<u>Actual</u>	<u>Required</u>	<u>Actual</u>
Employer	\$ <u>2/</u>	\$ <u>1/</u>	\$ <u>2/</u>	\$ <u>1/</u>
Employee	\$ <u>2/</u>	\$ <u>1/</u>	\$ <u>2/</u>	\$ <u>1/</u>
Total	\$ <u>2/</u>	\$ <u>1/</u>	\$ <u>2/</u>	\$ <u>1/</u>

The pool's actuarially determined employer contribution requirement represents approximately 3/ percent of the total for all employers covered by PERS.

NOTE 15 - DEFERRED COMPENSATION PLAN

The pool offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is with (independent plan administrator/governmental entity). The plan, available to (all/eligible) employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Compensation deferred under the plan and all income attributable to the plan are solely the property of the pool. The pool's rights to this property are subject only to the claims of the pool's general creditors until paid to the employee or other beneficiary and are not restricted to the benefit provisions under the plan.

(It is the opinion of the pool's legal counsel that) the pool has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The pool believes that it is highly unlikely that it will use the assets to satisfy the claims of general creditors in the future.

1/ Information indicated must be furnished by the public entity risk pool.

2/ The public entity risk pool computes this information as follows: Required rate x the pool's covered payroll.

3/ The public entity risk pool computes this information as follows: Covered payroll divided by \$5,328 million system-wide payroll.

(Of the \$_____ in the plan at _____, 19____, \$_____ was applicable to the pool while the remaining \$_____ represents the assets of other jurisdictions participating in the plan.)

Deferred compensation plan investments are recorded on the balance sheet at market value, along with the corresponding liability.

NOTE 16 - DEFERRED DEBITS (OR CREDITS) ^{1/}

In accordance with generally accepted accounting principles for regulated businesses, the pool has deferred (losses, costs, receipts, etc.) of \$_____ in 19____, \$_____ in 19____, which will be amortized on the _____ method over _____ years. These (losses, costs, receipts, etc.) resulted from _____ (give a brief description). These (charges or credits) would have been included in net income for 19____ and 19____, in nonregulated businesses, but for rate-making purposes they are treated as applicable to future periods.

NOTE 17 - POSTRETIREMENT BENEFITS OTHER THAN PENSION BENEFIT ^{2/}

In addition to the pension benefits described in Note _____, the _____ (pool name) provides postretirement health care benefits, in accordance with _____ (authority under which the benefit is provided) ^{3/} to _____ (number, category) employees who _____ (description of eligibility for the benefits) ^{4/}. Currently, _____ (number) retirees meet those eligibility requirements.

The _____ (pool name) reimburses _____ percent of the amount of validated claims for medical, dental, and hospitalization costs incurred by pre-Medicare retirees and their dependents. The _____ (pool name) also reimburses a fixed amount of \$_____ per month for a Medicare supplement for each retiree eligible for Medicare. ^{5/}

Employer contributions are financed on pay-as-you-go basis. ^{6/} Expenses for postretirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported to the _____ (pool name).

During the year, expenses of \$_____ were recognized for postretirement health care. ^{7/}

Approximately \$_____ of the \$_____ increase in expenses over the previous year was caused by the addition of dental benefits, effective _____ (date). ^{8/}

^{1/} The need for the entire note depends on the particular circumstances of the public entity risk pool.

^{2/} Other postemployment benefits (OPEB) are benefits provided by an employer to plan participants, beneficiaries, and covered dependents through a plan or other arrangement that is separate from a plan to provide retirement income, except for postemployment health care benefits which are always OPEB. In addition to postemployment health care benefits, OPEB may include life insurance, disability income, tuition assistance, legal services, and other assistance programs. OPEB do not include social security benefits.

financed through FICA payroll taxes. However, if the employer pays postretirement contributions applicable to retirees for additional Medicare benefits, those benefits should be considered postemployment health care benefits and should be included in all relevant

(FOOTNOTES CONTINUED)

disclosures. Whether a particular type of benefits should be considered pension benefits or OPEB depends on how the benefit is provided.

The note should be made for the pool as a whole, but if aggregate disclosure would be misleading, additional separate disclosures should be made for fund types or component units.

3/ Statute, contract, etc.

4/ Participants currently eligible for benefits are retirees, terminated employees, and beneficiaries for whom the pool is currently responsible for paying all or part of the premiums, contributions, or claims. Covered dependents should be counted as one unit with the participant.

5/ Describe the pool's and participants' obligation to contribute. The information must be quantified (percentage, dollars contributions rates, etc.).

6/ If OPEB are advance-funded on an actuarially determined basis, the employer should disclose the actuarial cost method and significant actuarial assumptions (including the interest rate, and, if applicable, the projected salary increase and the health inflation assumptions) used to determine funding requirements, and the method used to value plan assets.

7/ The amount should be net of participant contributions. If the benefit payments cannot be readily separated from expenses for similar types of benefits provided to active employees and their dependents, the entity may use reasonable methods to approximate the OPEB expenses. If this is not possible, the note should disclose that the OPEB expenses can not be reasonably estimated.

If OPEB are advance-funded on an actuarially determined basis additional information should be provided in this paragraph:

- the number of active plan participants,
- the pool's actuarially required and actual contributions for the period (net of participants contributions),
- the amount of the net assets available for the OPEB,
- the actuarial accrued liability and unfunded actuarial accrued liability for OPEB according to the actuarial cost method in use.

8/ Describe any significant matters that affected the comparability of the current year data with the previous periods.

Any additional information that the employer believes will help users assess the nature and magnitude of the cost of the employer's commitment to provide OPEB should also be disclosed.

NOTE 18 - ACCOUNTING CHANGES^{1/}

NOTE 19 - EXTRAORDINARY ITEMS^{2/}

NOTE 20 - PRIOR PERIOD ADJUSTMENTS^{3/}

1/ Any changes in accounting policies that could affect comparisons between financial statements should be disclosed here.

2/ Extraordinary items are events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence.

Thus, both of the following criteria should be met to classify an event or transaction as an extraordinary item:

- a. Unusual nature - the underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to the ordinary and typical activities of the public entity risk pool.
- b. Infrequency of occurrence - the underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future.

Descriptive captions and the amounts for individual extraordinary events or transactions should be presented, preferably on the face of the operating statement, if practicable. Otherwise, disclosure in related notes is acceptable. The nature of an extraordinary event or transaction and the principal items entering into the determination of an extraordinary gain or loss should be described.

3/ Adjustments related to prior periods (and thus excluded from the operating statements for the current period) are limited to: (a) corrections of material errors in the financial statements of a prior period; and, (b) other material adjustments which meet the criteria for prior period adjustments contained in the prescribed system of accounts. The circumstances surrounding each such adjustment should be separately explained in this note.

NOTE 21 - CONTINGENT LIABILITIES AND LITIGATION ^{1/}

NOTE 22 - SUBSEQUENT EVENTS ^{2/}

^{1/} This note should disclose any material contingent liabilities. These are items which are uncertain now, but may result in liabilities in the future, such as pending lawsuits, guarantees, etc.

^{2/} This note should disclose any events that occurred after the financial statement date and have a material effect on the operations of the public entity risk pool.

RISK POOLS

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL INSTRUCTIONS

The sample required supplementary information which follow was designed to provide the disclosures required for public entity risk pools. They are intended to furnish you with ways of phrasing the disclosures you will need to make. Be sure to revise these sample documents to fit the unique circumstances of your pool, to delete disclosures that do not apply to your operations, and to add others that we did not include but which are needed to help a reader understand your financial statements.

The following revenue and claims development information should be included as required supplementary information *immediately after* the Notes To Financial Statements in the pool's financial reports.

- (1) A table that presents the following information:
 - (a) Amounts of reported premium or required contribution revenue (net of excess or reinsurance) and reported investment revenue for each of the past ten fiscal years including the latest fiscal year.
 - (b) Amounts of reported unallocated claim adjustment expenses (GASB Statement 10, paragraph 23) and reported other costs (GASB Statement 10, paragraph 31) for each of the past ten fiscal years including the latest fiscal year.
 - (c) Total amount of incurred claims and allocated claim adjustment expenses (both paid and accrued and net of loss assumed by excess or reinsurers) as originally reported at the end of each of the past ten policy years including the latest policy year. Amounts should be limited to provisions for claims resulting from events that triggered coverage under the policy or participation contract in that year (policy-year basis).
 - (d) The cumulative amount paid as of the end of the policy year and each succeeding year for each of the incurred claims and allocated expenses amounts presented in "(c)" above.
 - (e) The reestimated amounts for incurred claims and claim adjustment expenses as of the end of each succeeding year for each of the policy years presented in "(c)" above.
 - (f) The change in incurred claims and claim adjustment expenses from the original estimate, based on the difference between the latest reestimated amount presented in "(e)" above for each of the policy years and the originally established incurred claims and claim adjustment amounts reported in "(c)" above.
- (2) In addition to the reconciliation of total claims liabilities (GASB Statement 10, paragraph 49g), a reconciliation of claims liabilities by type of contract, including an analysis of changes in liabilities for claims and claim adjustment expenses for the current fiscal year and the prior year, in the same tabular format required by GASB Statement 10, paragraph 49g.
- (3) During the transition period when ten years of information about claims liabilities and claim adjustment expenses may not be available, all information required by item "(1)" above should be presented only for as many years as that information is available. If changes in a pool's loss, expense, reinsurance, excess insurance, or other transactions materially affect pool revenues, expenses, or liabilities in a manner not fairly disclosed or presented in the tables above, the pool should expand these disclosures to show additional detail (such as gross, ceded, and net revenues and liabilities or separate information for each type of contract) to keep the schedules from being misleading or to keep trends from becoming obscured.

(Pool Name)
REQUIRED SUPPLEMENTARY INFORMATION
_____, 19__ Through _____, 19__

This required supplementary information is an integral part of the accompanying financial statements.

(NOTE: The following tables should be presented immediately after the Notes To Financial Statements. The information contained in these tables should be modified to fit the needs of each public entity risk pool.)

1. Ten-Year Claims Development Information

The table below illustrates how the pool's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the pool as of the end of each of the last 10 years. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year earned contribution revenues and investment revenues.
2. This line shows each fiscal year's other operating costs of the pool including overhead and claims expenses not allocable to individual claims.
3. This line shows the pool's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of 10 rows shows the cumulative amounts paid as of the end of successive years for each policy year.
5. This section of 10 rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
6. This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

Fiscal and Policy Year Ended
(In Thousands)

	<u>19W9</u>	<u>19X0</u>	<u>19X1</u>	<u>19X2</u>	<u>19X3</u>	<u>19X4</u>	<u>19X5</u>	<u>19X6</u>	<u>19X7</u>	<u>19X8</u>
1. Net earned required contribution and investment revenues	542	570	798	878	855	909	1057	1163	1279	1407
2. Unallocated expenses	64	68	81	91	70	81	92	110	123	131
3. Estimated incurred claims and expense, end of policy year	235	249	357	392	440	503	612	723	900	1282
4. Paid (cumulative) as of:										
End of Policy Year	118	124	179	196	220	251	306	361	450	641
One year later	177	186	268	294	330	377	459	542	675	
Two years later	254	268	385	422	474	542	660	779		
Three years later	304	321	461	506	568	649	790			
Four years later	359	379	545	597	671	766				
Five years later	404	427	614	673	756					
Six years later	445	469	674	740						
Seven years later	473	499	717							
Eight years later	473	499								
Nine years later	473									
5. Reestimated incurred claims and expense:										
End of Policy Year	235	249	357	392	440	503	612	723	900	1282
One year later	294	311	447	490	550	628	765	903	1125	
Two years later	338	357	513	563	632	722	879	1038		
Three years later	380	401	577	632	710	811	988			
Four years later	422	446	641	703	789	902				
Five years later	449	474	682	748	840					
Six years later	468	494	710	779						
Seven years later	473	499	717							
Eight years later	473	499								
Nine years later	473									
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	238	250	360	387	400	399	376	315	225	0

2. Reconciliation Of Claims Liabilities By Type Of Contract

The schedule below presents the changes in claims liabilities for the past two years for the pool's two types of contracts: property and casualty, and employee health and accident benefits.

	<u>Property and Casualty</u>		<u>Employee Health and Accident</u>	
	<u>19X8</u>	<u>19X7</u>	<u>19X8</u>	<u>19X7</u>
	(In Thousands)		(In Thousands)	
Unpaid Claims and Claim Adjustment Expenses at Beginning of the Fiscal Year	_____	_____	_____	_____
Incurring Claims and Claim Adjustment Expenses:				
Provision for Insured Events of the Current Fiscal Year	_____	_____	_____	_____
Increases in Provision for Insured Events of Prior Fiscal Years	_____	_____	_____	_____
Total Incurred Claims and Claim Adjustment Expenses	=====	=====	=====	=====
Payments:				
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	_____	_____	_____	_____
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Years	_____	_____	_____	_____
Total Payments	=====	=====	=====	=====
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year	=====	=====	=====	=====

RISK POOLS

SUPPLEMENTAL SCHEDULES

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SCHEDULE 19 - LABOR RELATIONS CONSULTANT(S)

The 1993 Legislature has required the State Auditor's Office to collect information regarding the role labor relations consultants play in local governments. This reporting requirement is found in RCW 43.09.230, as amended by the 1993 Legislature. The statute provides that "the legislature finds and declares that the use of outside consultants is an increasing element in public sector labor relations. The public has a right to be kept informed about the role of outside consultants in public sector labor relations. The purpose of this act is to help ensure that public information is available."

Labor relations is a broad spectrum of activities which concern the relationship of employees as a group with the local government as employer. It includes employee representation issues, negotiation of contracts, and preparation and conduct of interest arbitrations.

A *labor relations consultant* is someone who agrees to perform such services for compensation. For example, a labor relations consultant includes an attorney or other professional engaged by the local government to negotiate a collective bargaining agreement. It would not include a firm engaged to establish a personnel manual or to prescreen job applicants. The determining factor is the substance of services the consultant has been engaged to perform.

This schedule is used to identify expenditures for labor relations consultants: Disclosure should include identification of each consultant and the terms and conditions of each agreement.

The schedule is required to be filed with the State Auditor's Office whether or not your pool has labor relations consultants. Prepare a schedule for each consultant. Alternative formats are acceptable, including spreadsheets, as long as the required information is provided.

(POOL NAME)**SCHEDULE OF LABOR RELATIONS CONSULTANT(S)****For the Year Ended** _____

Has your pool engaged labor relations consultants? ____ Yes ____ No

If yes, please provide the following information for each consultant(s):

Name of Firm
Name of Consultant
Business Address
Amount Paid to Consultant During Fiscal Year
Terms and Conditions, as applicable, including: Rates (e.g., Hourly, etc.) _____ Maximum Compensation Allowed _____ Duration of Services _____ Services Provided _____ _____

Certified Correct this _____ day of _____, 19____ to the best of my knowledge and belief:
Signature
Name
Title

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STATISTICAL DATA

Schedule T-1

(Pool Name)

1. Fiscal year: _____, 19__ - _____, 19__

2. Type of pool:

- a. Property _____
- b. Casualty _____
- c. Liability _____

Organization of above type pool:

- _____ Joint purchasing only
- _____ Joint purchasing with self-insured retention
- _____ Self-insurance with pool purchased excess policy
- _____ Self-insurance only
- _____ Other (identify)

- d. Unemployment
- e. Workers' compensation

3. List all pool purchased insurance policies:

a. Jointly purchased policies for participating members.

- (1) Type of policy
- (2) Insurance company
- (3) Period of coverage(s)
- (4) Amount of coverage(s)
- (5) Premium cost
- (6) Pool self-insured retention limit
- (7) Participating member self-insured retention limit

b. Purchased policies for pool.

(1) - (7) same as above.

4. Type of pool organization:

- a. _____ Municipal corporation
- b. _____ Quasi-municipal corporation
- c. _____ Private nonprofit corporation

5. Date pool approved by State Risk Manager: _____, 19__.

6. Date pool began operations: _____, 19__.

7. Do you use a broker to obtain any of the above listed purchased insurance policies?
- _____ YES _____ NO. If "yes," indicate which policies each broker obtains for the pool. If "no," indicate whether you have a qualified broker on staff. If neither, indicate the process by which you obtain these purchased insurance policies.
8. Do you use a surplus line of coverage broker in your pool operation?
- _____ YES _____ NO. If "yes," identify the broker and policy involved. Explain why it is necessary to use this arrangement for the insurance coverage(s) you obtain for the pool and/or participating members.
9. Are local insurance agents involved in any way with the operation of your pool (except for the use of brokers as identified above)?
- _____ YES _____ NO. If "yes," please describe their function.
10. Are your pool offices:
- a. Separate from any other government?
- (1) Provide complete mailing address and telephone number.
(2) Provide name of contact point.
(3) Number of employees on staff: _____.
- b. Contained within a host government?
- (1) Identify host and provide complete mailing address and telephone number.
(2) Provide name of contact point.
(3) Number of employees of host government dedicated to pool functions? _____.
11. Public treasury function used:
- a. _____ Pool acts as own treasurer.
b. _____ Pool uses a county treasurer direct (identify).
c. _____ Pool uses a participating member associated with a county treasurer (identify both).
d. _____ Pool uses a participating member who acts as own treasurer (identify).
12. Pool investment policy:
- a. _____ Pool invests own funds directly.
b. _____ Pool has a county treasurer invest funds.
c. _____ Pool invests funds with the State Investment Board.

13. Describe the governing body of your pool, how many members there are, and how often they meet .
Examples follow:

- a. The board of directors is responsible for overall policy and procedures of the pool. It has 1 voting member from each participating government entity, and meets annually.
- b. The day-to-day operations of the pool are governed by a management committee. It is composed of 9 voting members who are elected by the board of directors, and meets monthly.

14. Are pool claims:

- a. Administered by pool staff? ☐ YES ☐ NO.
- b. Administered by a third party administrator? ☐ YES ☐ NO.
If "yes," identify the name and address of the firm.

15. Does the pool use the services of an actuary? ☐ YES ☐ NO.
If "yes," identify the name and address of the firm.

16. Does your pool use the services of a private certified public accountant (other than the State Auditor's Office)?

☐ YES ☐ NO. If "yes," identify the name and address of the firm, and the type of accounting/auditing services provided.

Were these services obtained by contract through the State Auditor's Office?

☐ YES ☐ NO.

LIST OF PARTICIPATING MEMBERS

Schedule T-2

(Pool Name)

(NOTE: List all participating members of your public entity risk pool in alphabetical order. Indicate any other identifying data you feel would be appropriate.)

RISK POOL MEMBER

NOTES TO FINANCIAL STATEMENTS

NOTE: (a) The document which follows is only a sample to illustrate a portion of the Notes To Financial Statements for a participating pool member. This document should be tailored to meet the needs of each individual public entity risk pool and distributed to each participating pool member for use in the Notes To Financial Statements for their annual financial reports, (b) this information may also be used to describe the general operations of the public entity risk pool, and (c) this should be sent to each participating member of the pool.

NOTE X - RISK MANAGEMENT (for participating member of pool)

or

NOTE 1 - GENERAL (for public entity risk pool)

The (city/county/district) is a member of the (pool name) (Pool). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The Pool was formed on (date) when (city/county/district) in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. (Number of participating members) (city/county/district) have joined the Pool.

The Pool allows members to (state purposes: i.e., jointly purchase insurance coverage, establish a plan of self-insurance, and provide related services, such as risk management, etc.). (State type of policy coverage: i.e., coverage for public official liability is on a "claims made basis." All other coverages are on an "occurrence" basis.) The Pool provides the following forms of group purchased insurance coverage for its members: list by type of policy: i.e., property, liability, vehicle, other mobile equipment, electronic data processing equipment, bonds of various types, excess liability, public official liability, and machinery breakdown, etc.

Members make an annual contribution to fund the Pool. The Pool acquires insurance from unrelated underwriters that are subject to a per-occurrence deductible of \$_____. Members are responsible for the first \$_____ of the deductible amount of each claim, while the Pool is responsible for the remaining \$_____. Insurance carriers cover all losses over \$_____ to the maximum limits of each policy. Since the Pool is a cooperative program, there is a joint liability among the participating members.

Each new member pays the Pool an admittance fee. This amount covers the member's share of organizational expenses and the cost of analyzing their loss data and risk profile. Members contract to remain in the Pool for a minimum of (number) years, and must give notice (number) year before terminating participation. The Interlocal Governmental Agreement is renewed automatically each year after the initial (number) year period. Even after

termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

The Pool is fully funded by its member participants. Claims are filed by members with (name of third party administrator, if appropriate) which has been contracted to perform claims adjustment, loss prevention, and property appraisal services for the Pool. Fees paid to the third party administrator under this arrangement for the years ended _____, 19X8 and 19X7, were \$_____ and \$_____, respectively, which included fees for appraisal services. For 19X9, the Pool has contracted with the third party administrator to perform claims adjustment and loss prevention services for \$_____.

The Pool is governed by a board of directors which is comprised of one designated representative from each participating member. An executive committee is elected at the annual meeting, and is responsible for conducting the business affairs of the Pool.